

Chasing payment using a letter before action

Late payment is one of the most serious problems a contractor can face. It's endemic to small business in this country, and it's something we all have to do something about. If you allow your cash flow to dwindle, your business could dwindle away.

Fortunately, there is a way to wake up the people who owe you money, and get them to do something about it. Writing a Letter Before Action will get you paid almost 90% of the time.

Writing A Letter Works

Why does writing a letter make a difference? Because this kind of letter, which is an official and formally legal notification of an impending lawsuit, is a way of saying 'this is your last chance.' Most businesses want to avoid costly and time-consuming litigation. When you show them you mean business, they will most often do what they can to avoid these extra hassles.

What Goes In the Letter

There is no official legal form that a Letter Before Action has to take, as a spokesman for the government agency the [Trading Standards Institute](#) explains. "Include in the letter all the essential information: what the job was (invoice reference and date), how much is owed, for how long, and your payment information.

You then set a final deadline for payment. This can be any reasonable period, from one week (it would be hard for payment to reach you in less than a week) to 30 days. 10 days is perfectly reasonable assuming you have already been waiting a long time for payment. But you can make it as long as you wish.

Don't Go Into Detail

It is always best to keep the Letter Before Action as simple as possible. You may have all sorts of issues involving your work with the company that you would like to discuss, but this is not the place for such discussion, as the spokesman for Trade emphasises. Should there be reasons which the company wishes to cite to explain its non-payment, they can reply to your letter. But don't give them an opening for debate.

Court Costs

You should, however, simply remind the company that they may have to pay court costs if the case goes before a tribunal. You can also add that the reputation of the company will not be enhanced by such a public proceeding.

Example and Template

“
Writing a Letter Before Action works because it is a final notice of impending litigation
”

Trading Standards Institute

“
The Letter Before Action should be kept simple for it is not the place to go into details about your relationship with the company
”

Trading Standards Institute

Bloggs Limited
14 The Road
London
IR3 5NL

NOTICE OF INTENDED COURT PROCEEDINGS

Dear Bad Payers Ltd,

TAKE NOTICE that according to our records the sum of £1234.50 is overdue for payment for invoices 001 and 002.

Unless payment is made to the above address within seven days Legal Action to recover the debt will be taken against you without further notice.

Copies of the outstanding invoices are attached.

Yours sincerely

.....
Company Secretary

Joe Bloggs
14 The Road
London
IR3 5NL



Letter Before
Action.doc



Letter Before
Action.pdf

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